

# Roll Out the Barrels: U.S. Beer and Other Beverages Sell South of the Border

**T**he removal of tariffs resulting from the North American Free Trade Agreement (NAFTA) has given U.S. alcoholic beverage producers a leg up in the Mexican marketplace.

Under NAFTA, 24 alcoholic beverages have no import duties. Nine more categories achieve duty-free status in 2003.

The next two years will present an unparalleled opportunity for U.S. producers to establish a customer base. The effect of reduced tariffs and consequently lower retail prices for U.S. products might be transient, because Mexico plans to embark on more free trade agreements with other countries.



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Since NAFTA's inception in 1994, Mexico's trade with the United States and Canada has increased threefold. Sales of U.S. alcoholic beverages in Mexico reflect the mutual benefits enjoyed by NAFTA members. In 2000, according to Mexican statistics, \$45.8 million worth of U.S. alcoholic beverage products were sold south of the border, an increase of 30 percent over 1999.

Overall, U.S. producers have bagged about a third of the import market—97 percent of beer and 94 percent of cider market shares. U.S. suppliers also control a 99-percent share of ethyl alcohol and other denatured spirits imports, although these sales amounted to only \$90,000 in 2001.

However, the market for ethyl alcohol and other denatured spirits below 160 proof has been virtually untapped by U.S. entrepreneurs. This

category includes liquors, such

as cognacs, brandies, whiskeys, rum, gin and vodka.

There have been reasons for suppliers not pursuing this segment. European suppliers are fierce competitors and have cultivated consumer preferences—consumers who may not have sampled U.S. brands and view U.S. products as more expensive.

Of the 85 countries that export alcoholic beverages to Mexico, six are strongly positioned in defined product categories:

- Spain—brandies and wines
- Great Britain/Ireland—whiskeys
- France—cognacs
- Chile—wines
- Italy—liqueurs and wines

## Younger Consumers Are Best Customers

Mexico's population, currently 102 million, has expanded by almost 2 percent a year in recent years. While not all segments of the population can afford imported products, about a fifth of Mexico's



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residents, mostly urban, can and do buy imports.

Promoters need to target the 18- to 34-year-old age group that buys 80 percent of alcoholic beverages sold in Mexico. This segment is expected to grow by 14 percent in the next five years.

### Domestic Production Down

Domestic production of alcoholic beverages is concentrated in rum, brandies, tequila, vodka, gin, liqueurs and wines.

Commercial producers face strong competition from home brewers who might account for as much as 45-50 percent of total consumption. This informal production, which is expected to increase, limits commercial sales.

Wines are not exactly the beverage category of choice in Mexico, yet. Per capita consumption is estimated at 200 milliliters (67.6 ounces) per year. Only middle- and high-income imbibers tend to favor fermented grapes. In 1998, Mexico was ranked 65th in world wine consumption and 27th in production.

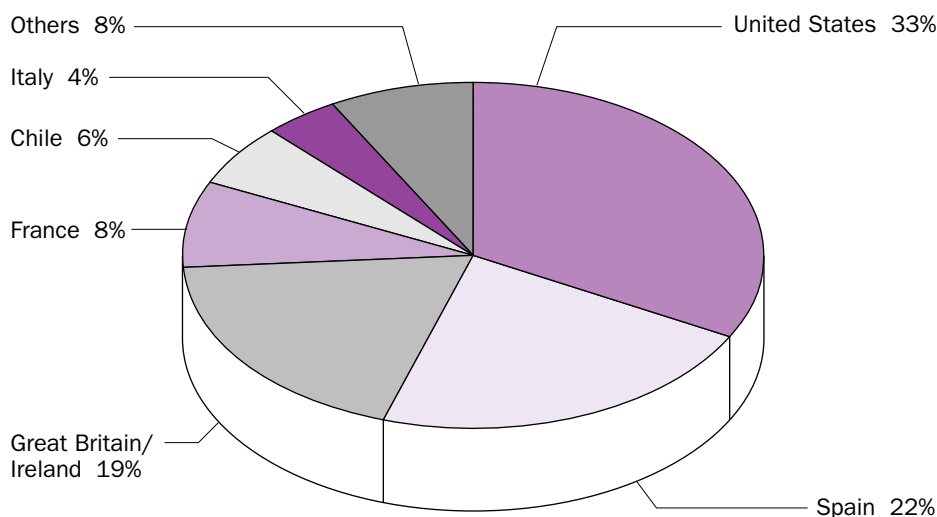
Though Mexico exports about 17 percent of the beer it brews and is the world's seventh largest producer, per capita consumption of beer is estimated at 50 liters, a little over half the 92 liters quaffed in the United States.

### Retail, HRI Biggest Purveyors

Mexico's retail sector is composed of big supermarket chains (with 1,117 stores) and convenience stores (2,085 outlets), which account for 60-70 percent of all food retail sales. Traditional mom-'n'-pop stores (950,000) attract most of the remaining sales share.

Most retailers buy their alcoholic beverages from distributors. Only a few large chains import directly. Supermarkets, which

### In 2001, the United States Supplied One-Third of Mexico's Alcoholic Beverage Imports



## Labeling in Spanish

**L**abels (or stickers) must be in Spanish and carry the following commercial and sanitary information.

#### Commercial:

- Brand name
- Product name
- If brandy: *Brandy* and the legend *100% de uva* (from grape)
- Exporter's name and address
- Quantity in metric units
- Producer's name and address
- Country of origin
- Importer's name, company name and address
- For beer and wine coolers: taxation code of importer

#### Sanitary:

- The health warning, *El abuso en el consumo de este producto es nocivo para la salud* (Abuse in the consumption of this product is hazardous to your health)
- Alcoholic content
- Percent of alcohol in volume at 20 degrees centigrade, displayed as "(Number)% Alc. Vol."
- Lot number
- If aspartame is an ingredient, *Fenilcetonuricos: contiene fenilalanina* (Phenylketonurics: contains phenylalanine)
- Classifications of *bajo en calorías* (light) or *sin calorías* (without calories), if appropriate
- Prepared drinks and cocktails only: list of ingredients

account for more than half of all alcoholic beverage retail sales, are popular sources and often sponsor promotions that lower prices.

Traditional stores are not good venues as yet. However, as these stores modernize, they could become outlets for imports.

Of the hotel, restaurant and institutional (HRI) sector, hotels have 96,000 establishments (80 percent of Mexico's tourists are from the United States). The upscale hotels and restaurants tend to buy products from manufacturers and specialized com-



panies—such as those providing premium wines only or from vintners. However, they look to large central wholesale markets for some specialty food items.

Though the official number of restaurants in Mexico City is around 33,000, a count of informal restaurants would likely double this number.

Restaurants source their products from specialized companies, manufacturers, wholesale centers, local markets and smaller vendors. Some traditional restaurants have a central purchasing department that selects suppliers through a bidding process.

### Marketing Tools a Must

Few distributors in the country have

national coverage. U.S. firms wanting to enter the Mexican market must have locally based distributors to enjoy success with domestic buyers. The HRI sector would probably offer the most opportunities.

Promotional activities, tailored to the market and/or distributor, are a must. They can include a local sales office, trade shows, brochures and other materials in Spanish and technical seminars. On-site sampling is particularly popular with Mexican consumers.

### Taxing Situation

Tariffs aside, as elsewhere, there are domestic taxes on alcoholic beverages—the 15-percent value-added tax (IVA), payable

## Sanitary and Labeling Requirements

**A**t the port of entry, producers must present a letter known as a sanitary import notice that details product information. The letter must contain the name of product, brand, specific quantity, name and address of producer and importer, port of entry and import tariff numbers.

The letter must be accompanied by the invoice, airway bill and sanitary statement. This statement must come from a Food and Drug Administration certified laboratory and contain physical, chemical and microbiological analyses, country of origin and expiration date.

upon entry; another 5-percent IVA if the beverage is consumed in a restaurant or bar; and the special tax on products and services based on alcoholic content, which ranges from 25 to 60 percent. ■

*For more information on the alcoholic beverage market in Mexico, please contact the FAS Agricultural Trade Office (ATO) at the U.S. Embassy in Mexico City, Mexico. ATO Mexico City is a good place to start for trade show recommendations, market information, importer lists, distributor data and organizing marketing events. Tel.: (011-52-55) 5280-5291; Fax: (011-52-55) 5281-6093; E-mail: atomex@avantel*

For details, see FAS Report MX2025. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

